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Associate General Counsel

Via ECFS

December 21, 2016

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *Comprehensive Review of the Part 32 Uniform System of Accounts*,
WC Docket No. 14-130

Dear Ms. Dortch:

On December 20, 2016, representatives from AT&T, Verizon, and CenturyLink met with Commission staff to once again discuss the elimination of Part 32 obligations for price cap carriers. From AT&T, Linda Vandeloop was present with Bill Roughton, Dan Rhinehart, Val Longo, Jim Dionne, Wayne Kendall, and Ron Hilyer participating by telephone. From Verizon, Ian Dillner was present with Sandy Anderson participating by telephone. From CenturyLink, Jeb Benedict was present with Tim Boucher and Marti Gude participating by telephone. Commission staff at the meeting included Pamela Arluk, Kris Monteith, Marvin Sacks, Victoria Goldberg, Robin Cohn, and Douglas Slotten from the Wireline Competition Bureau and Jane Jackson from the Office of General Counsel.

At the meeting, the parties had a further discussion regarding a potential framework for transitioning from Part 32 to GAAP accounting for the determination of pole attachment rates – and the possibility that the change from Part 32 rules to GAAP could result in increases to pole attachment rates.¹

¹ The parties also discussed the fact that it is not clear that potential Part 32 to GAAP changes of a few dollars per year per attachment would be concerning – given that price cap carrier rates typically range from less than \$1.00 up to approximately \$7.00 while rates of many others can be on the order of magnitude of \$35.00 to \$50.00. But, putting this aside, there are different possible approaches to mitigating any potential impacts.

Specifically, the industry members suggested that one way to address all three of the major elements of a potential rate difference (depreciation rates, cost of removal, and return on investment) would be to select a fixed starting point in time and compute pole attachment rates under Part 32 and under GAAP.² The difference between these computed rates would establish an Implementation Rate Difference that would be applied to adjust (increase or decrease) subsequent annually computed GAAP-based rates.³

The parties also discussed the potential that this use of an Implementation Rate Difference should cease at some point in time as it would no longer be warranted, and discussed potential methods for accomplishing that.

Industry representatives also explained that, historically, there are year-to-year fluctuations in pole attachment rates. Computing GAAP-based rates each year and then adjusting those results by the Study Area Implementation Rate Difference will allow rates to reflect normal fluctuations in expense inputs such as maintenance, G&A and taxes. It will also allow rates to reflect changes in rate base including plant additions and retirements, depreciation reserve and deferred taxes.

The parties also discussed the fact that the industry may need to follow-up subsequently with Commission staff regarding the precise way to articulate the proposed relief in an eventual order – in order to accomplish this approach.

Finally, the parties also discussed that the proposed relief would not impact already-existing state ability to regulate pole attachment rates.

² Some price cap companies may choose to stay on Part 32 at least for some time. So, the ability granted in any relief in this proceeding to convert to GAAP will need to be at the discretion of each company. And, as a result, the starting point for this calculation will also vary among companies.

³ In some limited instances the companies anticipate GAAP-based rates to be lower than Part 32-based Rates. In such instances, the Implementation Rate Difference would be an increase over the GAAP-based rate.

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Pursuant to section 1.1206(b) of the Commission's rules, this notice is being filed in the above-referenced docket. Please do not hesitate to contact me with any questions regarding this matter.

Sincerely,

/s/ Timothy M. Boucher

cc (via e-mail):

Pamela Arluk
Kris Monteith
Marvin Sacks
Victoria Goldberg
Robin Cohn
Douglas Sloten
Jane Jackson